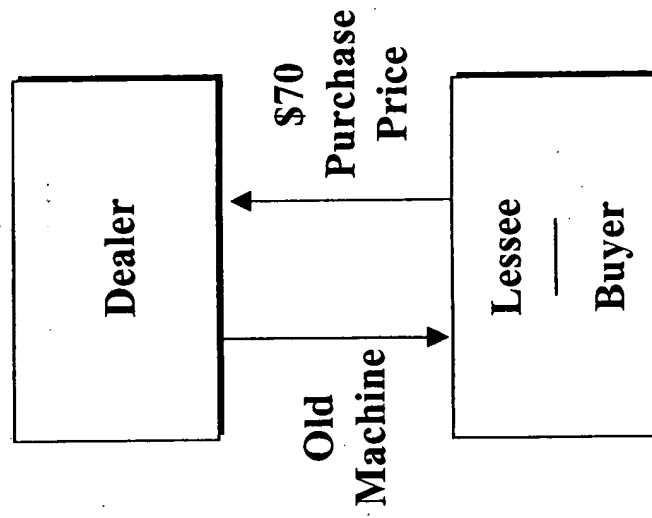


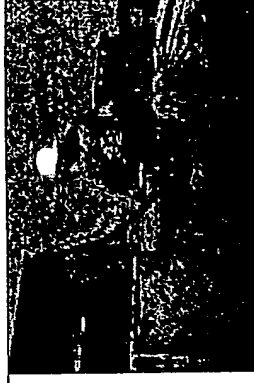
Like-Kind Exchange



Like-Kind Exchange

Section 1031(a) provides that—

No gain or loss shall be recognized on the exchange of property held for productive use in a trade or business or for investment if such property is exchanged solely for property of like-kind which is to be held either for productive use in a trade or business or for investment.



Like-Kind Exchange

Section 1031 Nonrecognition Requirements

- 1) Property surrendered and property received must be held either for productive use in a trade or business, or for investment;
- 2) Property surrendered and property received must be of “like-kind;” and
- 3) Must be an exchange (as distinguished from a sale and repurchase).

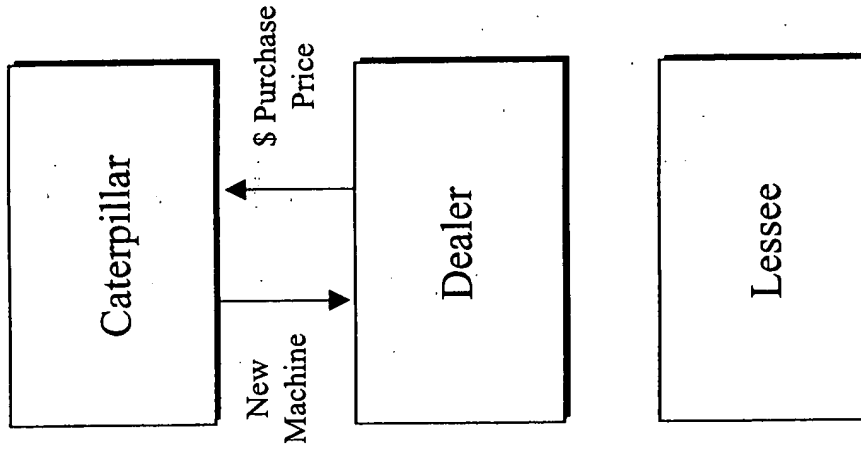
Like-Kind Exchange

Ineligible Property

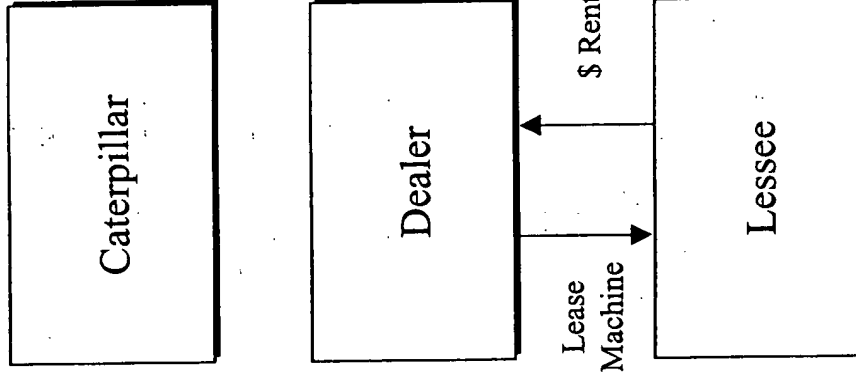
Like-kind exchange treatment is not available for:

1. **Inventory**,
2. Stocks, bonds, or notes,
3. Other securities or evidences of indebtedness,
4. Partnership interests,
5. Certificates of trust or beneficial interests, or
6. Choses in action.

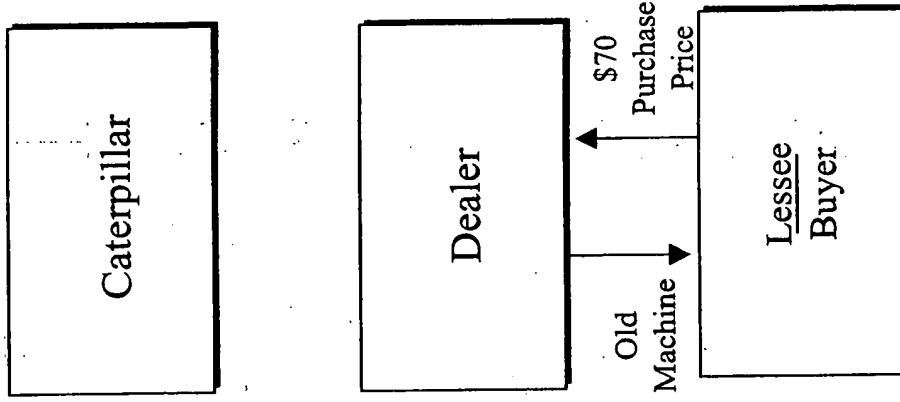
Like-Kind Exchange



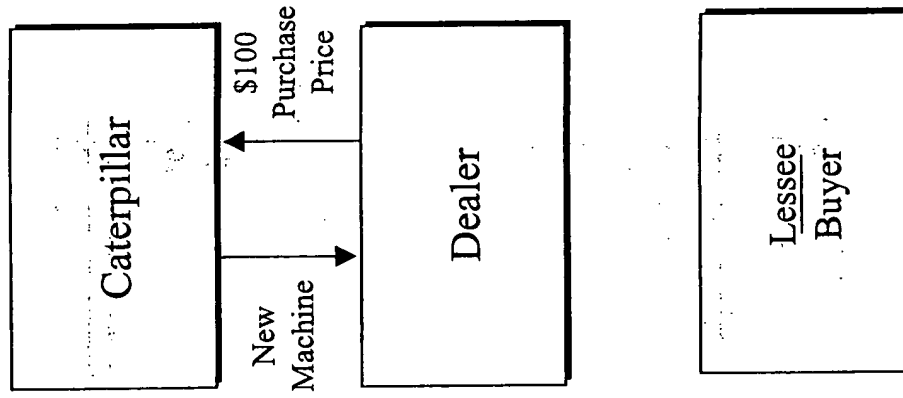
Like-Kind Exchange



Like-Kind Exchange



Like-Kind Exchange



Lessee
Buyer

Like-Kind Exchange



	Sales Price	Tax Basis	Gain Realized	Gain Recognized	Tax Liability
<u>Sold after two years</u>					
Sell - 416 Backhoe	\$ 33,579	\$ 18,034	\$ 15,545	\$ 15,545	\$ 5,907
LKE - 416 Backhoe	\$ 33,579	\$ 18,034	\$ 15,545	\$ - Cash Saved	\$ - \$ 5,907
<u>Sold after three years</u>					
Sell - 416 Backhoe	\$ 29,484	\$ 10,631	\$ 18,853	\$ 18,853	\$ 7,164
LKE - 416 Backhoe	\$ 29,484	\$ 10,631	\$ 18,853	\$ - Cash Saved	\$ - \$ 7,164
Purchase Price \$40,590 Tax Rate - 38%					

Like-Kind Exchange

	Sales Price	Tax Basis	Gain Realized	Gain Recognized	Tax Liability
<u>Sold after two years</u>					
Sell - 950 Wheel Loader	\$123,000	\$ 66,060	\$ 56,940	\$ 56,940	\$ 21,637
LKE - 950 Wheel Loader	\$123,000	\$ 66,060	\$ 56,940	\$ - Cash Saved	\$ - \$ 21,637
<u>Sold after three years</u>					
Sell - 950 Wheel Loader	\$115,500	\$ 38,940	\$ 76,560	\$ 76,560	\$ 29,093
LKE - 950 Wheel Loader	\$115,500	\$ 38,940	\$ 76,560	\$ - Cash Saved	\$ - \$ 29,093
Purchase Price \$150,000 Tax Rate - 38%					



Like-Kind Exchange

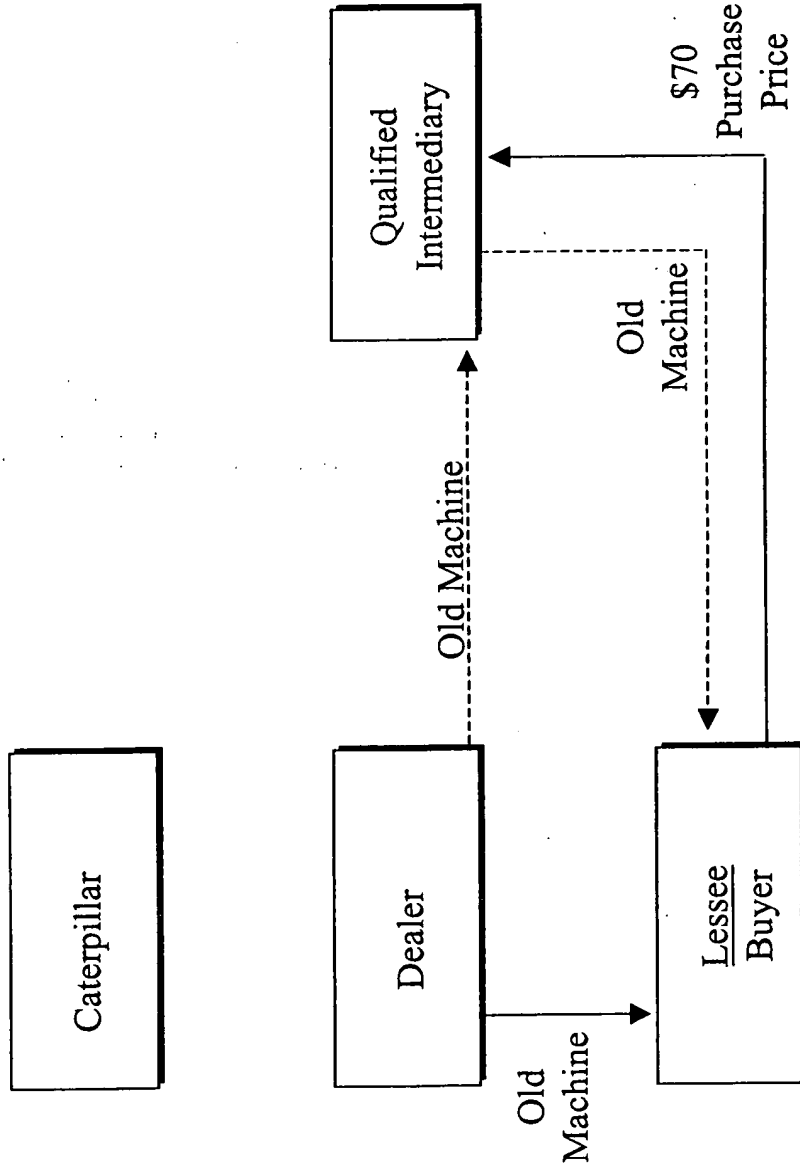
Caterpillar

Dealer

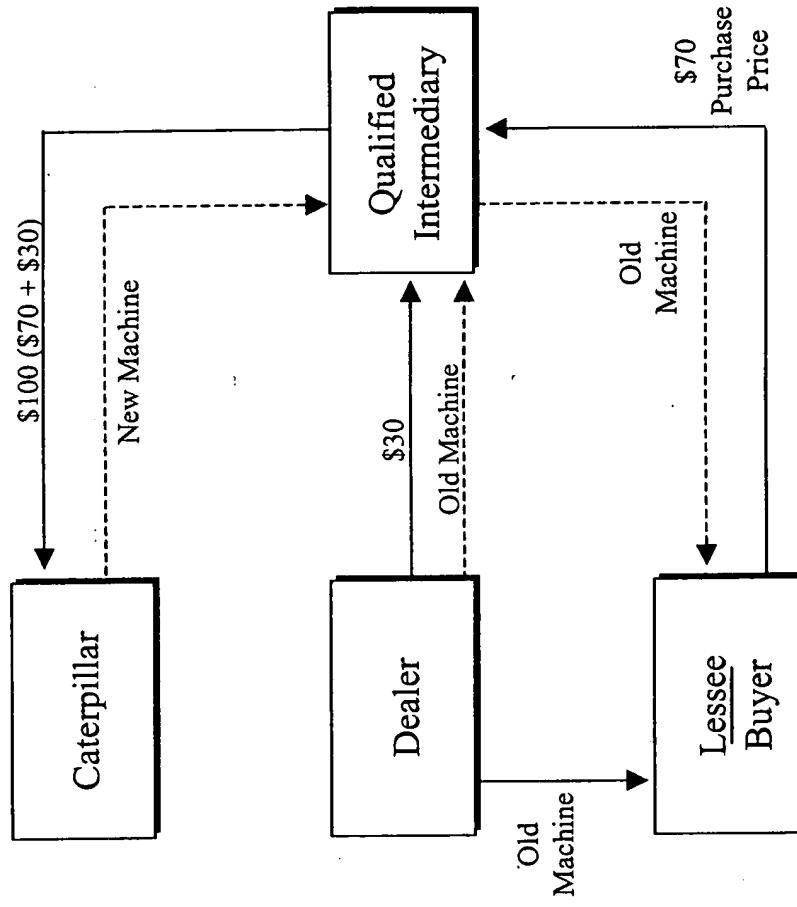
Old Machine
\$70 Purchase Price

Lessee
Buyer

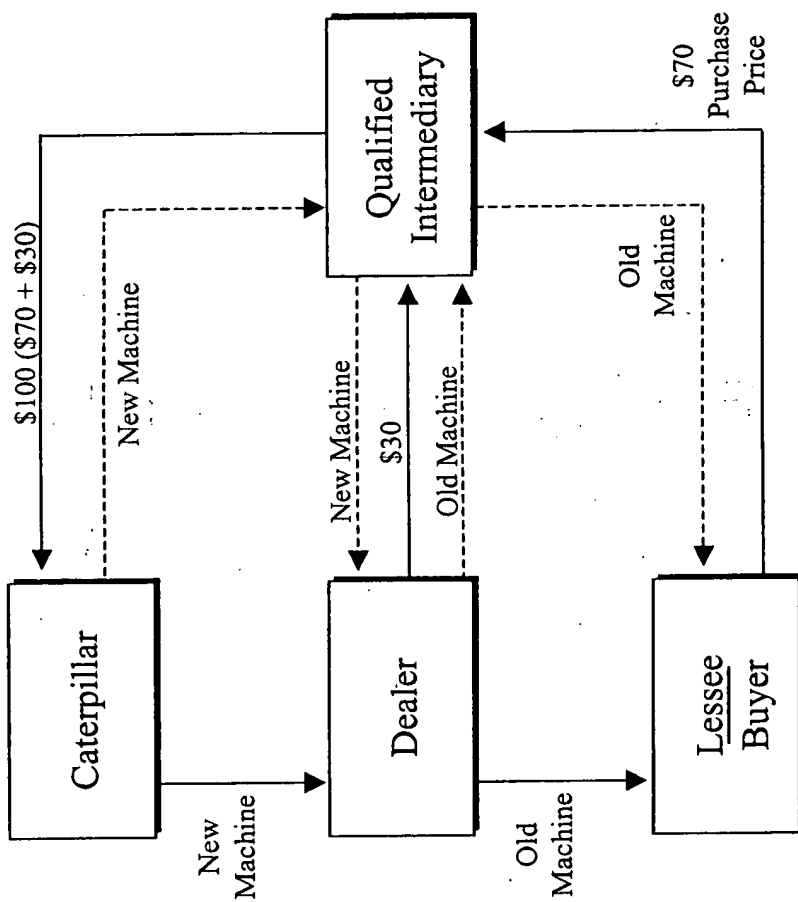
Like-Kind Exchange

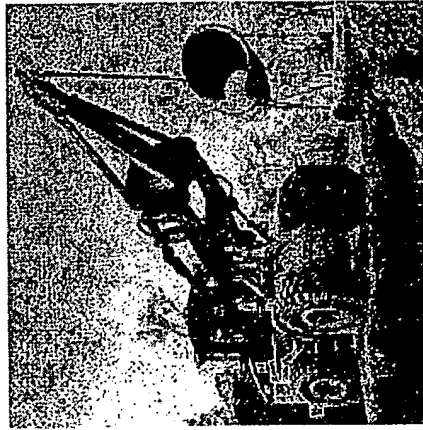


Like-Kind Exchange



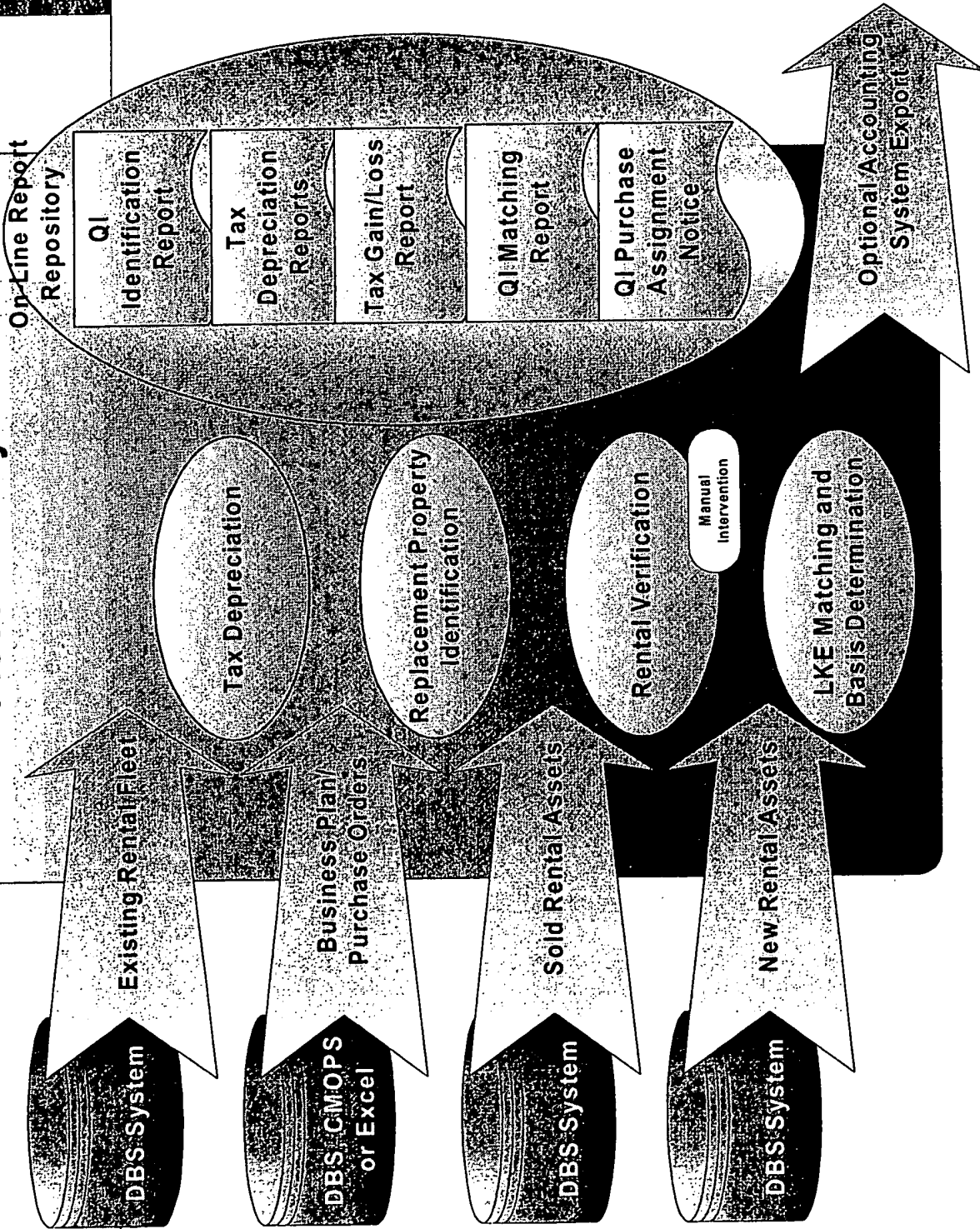
Like-Kind Exchange

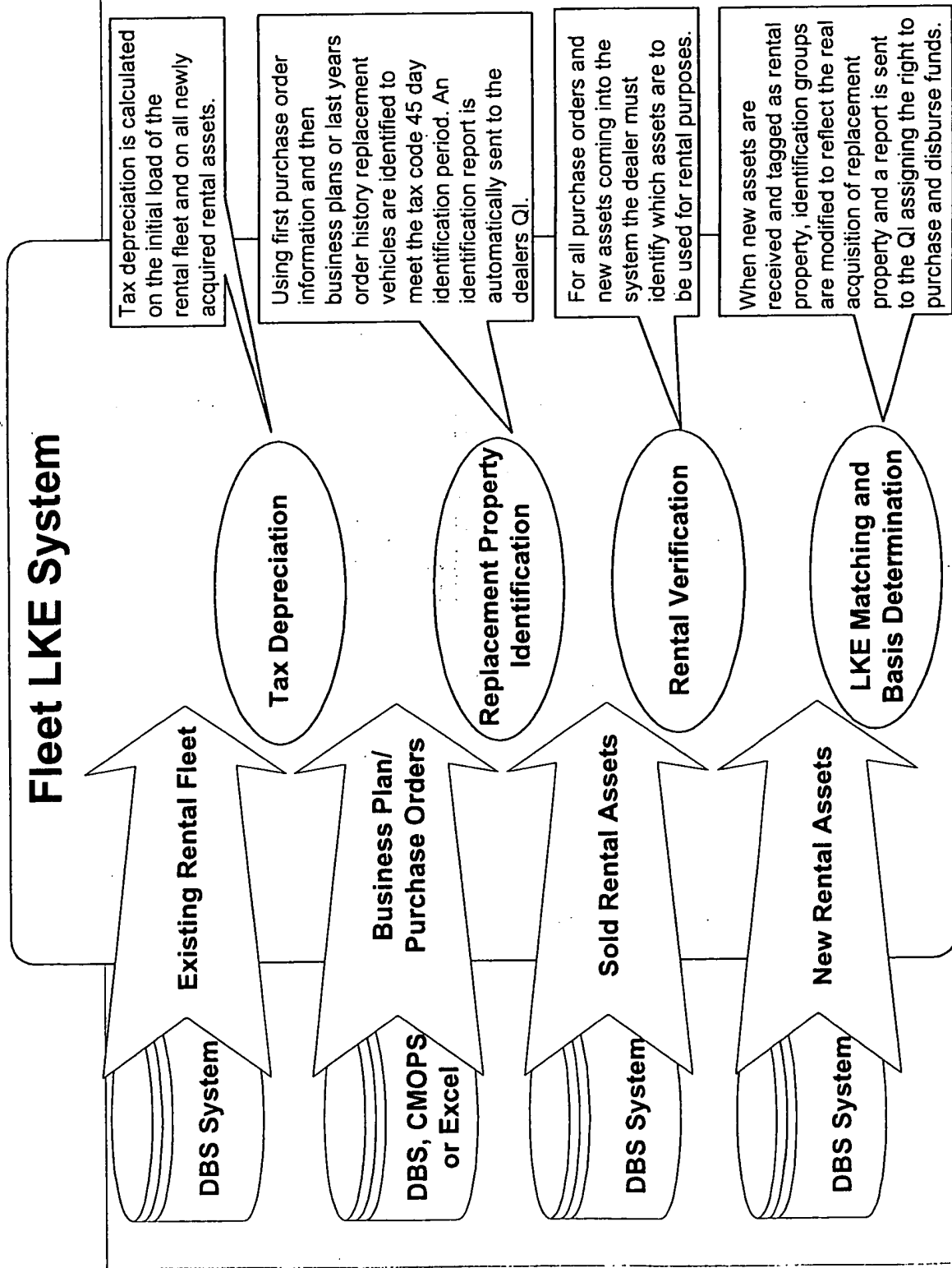




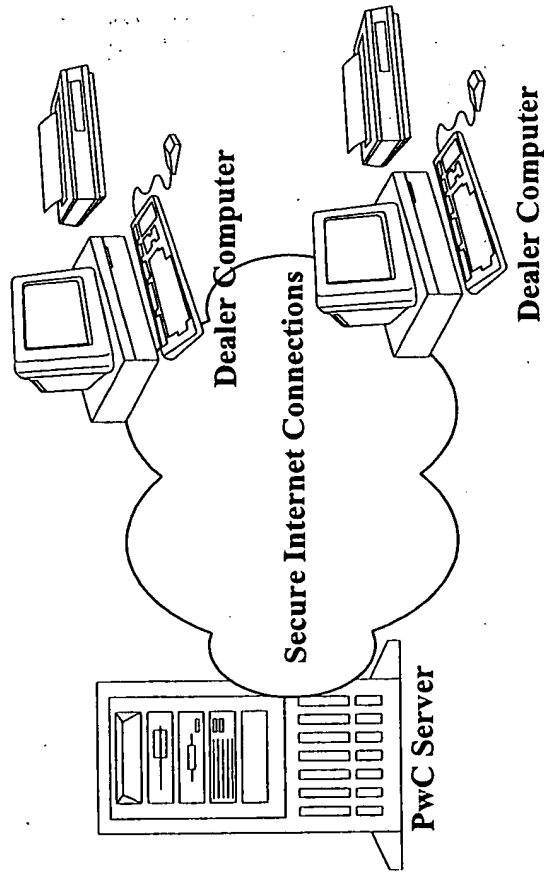


Fleet LKE System





System Platform/ Architecture



Dealer Technology Requirements

- ▼ Pentium Internet Ready Computer
- ▼ Account with Internet Service Provider (ISP)
- ▼ Access to data in DBS system

Like-Kind Exchange

Dealer Involvement

◆ Initial Involvement

- ▼ Establish account with an ISP
- ▼ Implement system and set up (with PwC assistance) DBS extracts and file transfers
- ▼ Assist in reconciliation of tax depreciation after initial asset load

◆ Ongoing Involvement

- ▼ Daily/weekly transmit files to Fleet LKE if an automatic transfer cannot be established
- ▼ Manually enter or import data for any rental assets to be included in the LKE program that are not maintained by DBS
- ▼ Review daily/weekly/monthly reports

Like-Kind Exchange

Next Steps

- ◆ **Verify system design/interface with dealer**
- ◆ **Create standard DBS system extracts**
- ◆ **Research automated DBS data transfer via FTP**
- ◆ **Create standard dealer implementation plan**

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